

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE MICHIGAN ECONOMY

The importance of small business to the state of Michigan is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Michigan had 204,323 businesses with employees; 98.5 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 272,000 self-employed persons in 1996, for an estimated total of 476,323 businesses.

Small Business Income - The income of sole proprietors and partners rose 4.3 percent to \$11.8 billion in 1996, while wage-and-salary income rose 4.9 percent. Total personal income rose 4.8 percent to \$151.3 billion. The state also exported \$38.1 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 263,000 women-owned businesses in Michigan, including part-time firms, employing 533,200 people and generating \$63.0 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 80.4 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 43.7 percent from 1987 to 1992, totaling 19,695 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 89.8 percent during the same time period with 5,036 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 4,729 in 1987, to 7,409 in 1992, representing a 56.7 percent increase.

Business Turnover - The number of new firms increased 1.7 percent, while new business incorporations increased 2.4 percent in 1996. Financial difficulties leading to business bankruptcies were unchanged and business failures decreased by 7.3 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Michigan decreased from 205 in 1994 to 175 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
STATE BK OF ESCANABA	Escanaba
MFC FIRST NB	Menominee
FIRST CMNTY BK	Harbor Springs
CAPITAL NB	Lansing
MFC FIRST NB	Escanaba
IONIA CTY NB OF IONIA	Ionia
MADISON NB	Madison Heights
SIGNATURE BK	Bad Axe
SHELBY ST BK	Shelby
CITIZENS NB CHEBOYGAN	Cheboygan
MONROE B&TC	Monroe
FMB-FIRST MI BK	Zeeland
FIRST OF AMER BK-MI NA	Grand Rapids
COMERICA BK	Detroit
NBD BK	Detroit
OLD KENT BK	Grand Rapids

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 69.6 percent of the small business growth with 319,492 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	253,593	65,899	35,641	104,099	(40,385)	418,847
Manufacturing	8,064	13,279	14,811	27,240	(2,204)	61,189
Retail Trade	41,313	5,187	1,630	10,051	(23,339)	34,844
Services	129,700	29,795	16,846	61,592	10,037	247,971
Other	74,516	17,639	2,352	5,215	(24,880)	74,843

Industries - The composition of small business in Michigan is very diverse. The Eating & Drinking Places industry is the largest small business employer in Michigan, followed by Health Services. The fastest growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Michigan by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	3,541,690	100.0	52.9
Health Services	8000	385,124	10.9	42.4
Eating & Drinking Places	5800	272,410	7.7	68.1
Transportation Equipment	3700	261,311	7.4	7.7
Business Services	7300	227,870	6.4	51.3
Wholesale Trade - Durable Goods	5000	129,288	3.7	71.1

Table 2, Top Five Small Business Industries in Michigan by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	1,873,167	100.0	52.9
Eating & Drinking Places	5800	185,426	7.7	68.1
Health Services	8000	163,434	10.9	42.4
Business Services	7300	116,860	6.4	51.3
Wholesale Trade - Durable Goods	5000	91,869	3.7	71.1
Special Trade Contractors	1700	86,520	2.5	96.4

Table 3, Fastest Growing Industries for Small Business in Michigan, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	1,829,468	1,873,167	43,699	2.4
Nondepository Credit Institutions	4,874	6,409	1,535	31.5
Miscellaneous Manufacturing Industries	5,979	6,673	694	11.6
Primary Metal Industries	14,740	16,312	1,572	10.7
Communications	6,461	7,070	609	9.4
Insurance Agents, Brokers, & Service	17,304	18,841	1,537	8.9

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.